

MEMORANDUM FOR:

The attached was prepared for Steve Canner,
Treasury Department, as per his request in answer
to the Poles response to Questions 2, 3, and 6
which was given to the Paris Club in March 1983.

This paper was prepared by [redacted] EURA/EE/NE.

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EUR M 83-10131

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Analysis of Data Provided to Western Government Creditors By the Poles

Question 2: Status of agricultural reform and inputs into the agricultural sector.

Polish Response: The agricultural reform of July 1981 gave state farms the right to make independent decisions on financial and operational matters. State farms are no longer favored over private farms, and are encouraged to cooperate with them. Private farmers are ensured a proper level of profitability and are permitted to increase the size of their farms. (1)

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Deliveries of agricultural inputs, including fertilizers, machinery and tools were carried out according to plan in 1982, but the latter two items failed to satisfy market demand. The considerable decline in state deliveries of concentrated fodder to farmers was the result of reductions in grain and high protein meal imports. (2) (3) (4)

Sources of Response

(1) "The Economic Reform in Agriculture"

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(2) Information No. 2, The Economic Situation in Poland After the Third Quarter of 1982, pages 10-12.

(3) Communique of the Main Statistical Office on Poland's Socio-Economic Situation in 1982, pages 15-16.

(4) General Development Provisions of the Central Annual Plan for 1983, page 5.

Talking Points: The document, "The Economic Reform in Agriculture," provides a slanted, barely comprehensible review of the agricultural reform two years after its implementation. Contrary to the report:

The state farms are not yet fully independent of central directives.

-- About one-quarter of the farms are still running losses and continue to receive state subsidies.

Warsaw has not fulfilled its promise to maintain a proper level of profitability for private farmers.

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- Warsaw increased the cost of inputs in 1982 much faster than the price of outputs so many private farms cannot cover their costs.
- The regime plans to increase land taxes significantly, lowering the tax only for farmers who boost sales to the state.

The regime was not able to supply adequate inputs to agriculture in 1982.

- The amount of chemical fertilizer sold to farms in 1982 fell by almost 20 percent. (Biuletyn Statystyczny no. 8, 1982, no. 2, 1983). The price of fertilizer was so high that many private farmers could not afford to buy it.
- Shortages, especially of pesticides, machinery and simple tools, still persist. According to Polish press reports, only 80 percent of agricultural machinery is fit for use in 1983 because decreased Western imports and domestic production problems have caused shortages of spare parts, tires and batteries.

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Question 3: Production targets for 1982 by sector (and all products) and actual performance.

- What has been the percentage change (and absolute change) in production and trade statistics from that expressed in the report of August 1982.

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Polish Response: Industrial production sold in the socialized sector declined 2 percent in 1982 compared to the previous year. Output of the extractive industries increased 11 percent, while manufacturing fell 3 percent. (2)

Output growth improved in the third quarter compared to the first half of 1982, mainly because of increased supplies of raw and intermediate materials in the manufacturing sector. Exports to and imports from both the East and West showed greater increases in the third quarter compared to the first half. (1)

Sources for Response

(1) Information No. 2, The Economic Situation in Poland after the third quarter of 1982, pages 3-9, 16-22.

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(2) Communique of the Main Statistical Office on Poland's Socio-Economic Situation in 1982, pages 6-12.

(3) General Development of the Central Annual Plan for 1983, pages 3-4.

Talking Points: Although the Poles reported the output of many industrial commodities in their account of 1982 plan fulfillment, they did not compare the results with the targets for the sectors and the specific industrial products.

- Moreover, although the output of 57 products is reported in the 1982 plan fulfillment report, only 10 industrial targets are specified in the 1983 plan.

The Poles report only industrial output "sold", instead of actual production.

- Using Polish data, we estimate that actual industrial production fell by 4 percent in 1982 compared to 1981.

The November document (provided in March of 1983) discusses the output growth of only 8 commodities while the August report covers the output of 33 commodities.

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- Statistics on the export of silver, zinc and sulphur to the West appear in the August report but are omitted in the November document.

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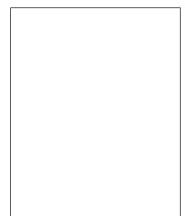
Question 6: Explanation of the more rapid growth of sales (notably coal) to the East at the expense of sales to the West.

- Information on trade with CEMA countries, in particular with the USSR, and the reduction of the trade deficit and the deterioration in the terms of trade.

Polish response: A greater quantity of coal than planned was exported to CEMA rather than the West because of the difficulty of selling coal on the Western markets. (1)

The Polish deficit with socialist countries was \$734 million in the first nine months of 1982 compared to \$1.1 billion in 1981. Fuel and energy exports registered the highest growth (59 percent), followed by exports for construction industry (40 percent) and electro-engineering products (12 percent). Imports of raw and intermediate products for industry increased 17 percent, while imports of capital investment goods decreased 19 percent. (1)

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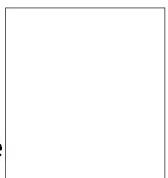
The terms of trade with the socialist countries deteriorated in the first three quarters of 1982 compared to the same period in 1981. Prices of Polish exports increased 5.9 percent, but prices of imports rose 11.2 percent. The import price increase reflects the use by CEMA of a commodity price system based upon the average world price for the preceding 5 years. Prices of crude oil, oil products and natural gas were especially affected by the increases. (1)

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Sources of Responses:

(1) Information No. 2, The Economic Situation in Poland After the Third Quarter of 1982, page 16, 20-22, 29-30.

(2) Communique of the Main Statistical Office on Poland's Socio-Economic Situation in 1982, pages 20-23.



Talking Points: The Poles do not break out the USSR's share of total trade with the socialist country or its share of trade in specific commodities.

- The USSR had planned to allow Poland to run the equivalent of a \$1.6 billion trade deficit in 1982, but the Poles ran only a \$1.2 billion deficit--\$800 million less than in 1981. The Poles ran a lower deficit because they cancelled deliveries of some capital goods scheduled in 1982. Poland, however, ran almost balanced trade with the rest of CEMA just as in 1981.

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The Poles exported about half of their total coal exports of 28.3 million tons to its CEMA partners in 1982 compared to about half the 15 million tons exported in 1982. In 1980 and most recent prior years, two-thirds of coal exports were exported to the West, one-third to CEMA.

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-- Statistics on planned coal exports to the East are omitted in the 1983 plan. According to press reports, 13 million tons of coal will be exported to the East out of a total of 33 million tons.

Plans for the export and import of specific commodities for the East and West in 1983 are omitted from the Central Annual Plan for 1983.

Exchange rate changes have complicated year-to-year comparisons of the shares of Polish trade with socialist and non-socialist trade partners.

-- The Poles have not provided enough information to allow us to solve the problem.

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SUBJECT: Analysis of Data Provided to Western Government Creditors by the Poles

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